Reimbursement of Expenses & Purchases: Policies & Procedures

Background

Applicability
All Trustees, Members, Staff, Associates and Volunteers are entitled to be reimbursed for out-of-pocket expenses which they legitimately incur while promoting and supporting the delivery of the charity’s objects.

These Policies & Procedures apply to all persons involved with Small Charity Support, though employees are also subject to taxation law in relation to such payments.

These Policies & Procedures are based on the Charity Commission’s guidance on reimbursing out-of-pocket expenses incurred by Trustees as in its publication “Trustee Expenses and Payments” (CC11)

Some sections of this policy have been taken verbatim from that publication.

Expenses vs Remuneration
In all cases, it is important to ensure that the reimbursement of out-of-pocket expenses is not – OR DOES NOT APPEAR TO BE – a disguise for making income payments (remuneration) to the recipient(s).

Expenses vs Purchases
Note that although claims for the reimbursement of purchases which have personally and properly made on behalf of the charity are usually made together with claims for the reimbursement of out-of-pocket expenses, they are not counted as expenses.

Instead they are accounted for as part of the charity’s general expenditure in the usual way.

Waiving (ie: “Donating”) Expenses
In the past, where trustees & supporters have wanted to waive claims for reimbursement of expenses to allow their charity to treat them as donations HM Revenue & Customs rules did not allow those waived “donations” to be treated as eligible for Gift Aid.

Instead, the expenses had to be “physically” reimbursed and then re-donated as “cash” (ie: by actual transactions, identifiable in the charity’s financial records – eg: bank statements).

However, the HMRC Guidance on Gift Aid, as updated on 4 May 2021,

now states:

3.4.4 A donation must be a payment of a sum of money. Donations made via the waiving of a refund or loan repayment can be considered a donation of a sum of money where there is a clear agreement to cancel a loan or not accept a refund.
Which means that earlier guidance on Deferred Reimbursement of Expenses & Purchases is no longer necessary or relevant. Provided that the expenses claim is a legitimate claim which the charity would have reimbursed in accordance with its policies had it not been waived, it can now be treated as eligible for Gift Aid provided, of course, that it meets all the other Gift Aid eligibility criteria.

**Note (which can be deleted as appropriate):** The previous clause 3.4.4 in the HMRC guidance on Gift Aid expressly excluded waived reimbursements as being eligible for Gift Aid. It is not clear from which date this updated guidance became legal (ie: to what extent it can be applied retrospectively). Trustees are recommended to check with their Independent Examiner or Auditor before claiming Gift Aid on waived reimbursement of expenses or purchases prior to 4 May 2021.

**Changes to the Policy**

The Charity reserves the right to change its Expenses Policies & Procedures to maintain consistency with current accepted Best Practice, and otherwise to meet the needs of the Charity.

Whenever possible the Charity will give appropriate advance notice of any such changes. However the Charity reserves the right to change these Expenses Policies & Procedures with minimal or no notice when reasonably expedient to do so.

**Policy**

**Scope**

Employees and volunteers are entitled to be reimbursed by the Charity for all travelling and other expenses actually, necessarily, reasonably and incidentally incurred by them in carrying out their duties, on submission of an appropriately authorised claim form and relevant supporting point-of-sale receipts. However, taxation law does NOT permit paid employees to claim travel expenses from their home to their normal place of work.

“Actually” means that the claimant actually incurred the claimed expenditure. eg: the bus fare for a journey cannot be claimed if the claimant had decided to leave earlier and walk the journey instead;

“Necessary” means that the charitable activity could not have been undertaken efficiently and effectively without incurring the expenditure;

“Reasonable” means that the cost of the expense must be commensurate with prudent, value-for-money use of the Charity's funds to promote & deliver its charitable purposes. Thus, the cost incurred must be competitive with (ie: similar to) the costs of alternatives of similar quality and suitability-for-purpose.

However, this does NOT mean that the cheapest goods/services must always be purchased. Where the additional benefits TO THE CHARITABLE ACTIVITY BEING PROMOTED/DELIVERED demonstrably outweigh the additional cost of more expensive goods/service they can be chosen in preference to the cheaper alternatives. However, the claimant must always be ready and able to give a credible justification for their choice if challenged.

“Incidental” means that the expense(s) must not have been determined by considerations unrelated to the charity activity being promoted/delivered. For example: the claimant had attended a meeting the venue for which had been chosen specifically because it also enabled the claimant to visit a nearby friend. In such a scenario, even though the costs of attending the meeting in that venue would otherwise have been necessary and reasonable, they would not also have been incidental and, therefore would not be eligible for reimbursement.
Authorisation

Expenses may only be incurred, and subsequently reimbursed by the Charity, in respect of activities which are part of the Charity’s agreed and budgeted programme of charitable activities (i.e. by PRIOR agreement with the relevant budget-holder).

Likewise, good and/or services may only be purchased on behalf of the Charity, and subsequently reimbursed, in respect of activities which are part of the Charity’s agreed and budgeted programme of charitable activities (i.e. by PRIOR agreement with the relevant budget-holder).

Unclaimed Expenses/Purchases

Some Trustees, Members, Staff, Associates and Volunteers effectively make a donation to their charity by choosing not to claim a reimbursement of expenses and/or purchases to which they would otherwise be entitled.

The Charity greatly appreciates the generosity of all who choose to act in this way.

However not claiming reimbursement of legitimate expenses/purchases is not necessarily in the best interests of the charity:

1. It causes the real costs of the Charity’s activities (i.e. including those costs which are subsidised by supporters) to be under-recorded and, therefore, under-reported (e.g. in the Charity’s Annual Report & Financial Statements);
2. It can undermine effective budgeting if a volunteer who has hitherto not claimed their expenses is unable to continue to do so, or is replaced by someone else who is unwilling to do so;
3. It hides the true generosity of the Charity’s supporters, particularly their financial generosity which goes unrecorded and, therefore, unreported;
4. It means that their effective donation to the charity by not claiming reimbursement of their expenses/purchases is not eligible for Gift Aid in the way that it would have been if they had claimed the reimbursement and then donated that money back to the charity;
5. Under-reporting the Charity’s costs and the generosity of its supporters can hamper the making of effective appeals and applications for further funds for the Charity.

Accordingly, the Charity encourages all those who can legitimately claim reimbursement of their expenses do so.

This includes those supporters who are minded to waive or not claim their reimbursement as a personal gift to the Charity. Rather they should claim the reimbursement to which they are entitled and then back-donate it to the Charity.

Persons wishing to make a donation to the charity by way of waiving a legitimate claim for reimbursement for expenses/purchases they have made on behalf of the charity they must:
(a) make their intentions clear by ticking the relevant box and signing the charity’s approved Expenses Claim Form (below);
(b) have completed the appropriate HMRC Gift Aid declaration form.

Procedures: Reimbursement of Expenses & Purchases

Submitting Claims for Reimbursement of Expenses & Purchases

- Claims for the reimbursement of expenses must be submitted on the Charity’s approved claims form. Ad hoc claims will not be considered;
- Claims for the reimbursement of expenses must be accompanied by documentary evidence of the expense (e.g. point-of-sale receipt, travel ticket, etc).
Where such evidence is not available the claimant must provide a written explanation to the Treasurer for approval;

The Charity reserves the right to decline to reimburse expenses for which reasonable documentary evidence has not been provided;

- Employees’ and volunteers’ completed expenses claim forms must be authorised by their respective line manager;
- Trustees’ expenses must be authorised by the Chair or Treasurer;
- All expenses claims must be submitted within 30 days of the relevant activity.
  Expenses may only be claimed later than 30 days with prior approval from the Treasurer.
- Expenses claim forms may also include claims for the reimbursement of goods/services purchased by the claimant on behalf of the Charity.
- Claims for the reimbursement of purchases must be accompanied by documentary evidence of the each purchase (eg: point-of-sale receipt, travel ticket, etc).

**Travel Expenses**

- Public transport should be used wherever possible.
- When it is not practical to use public transport, or where more than one employee or volunteer is travelling the same journey, travel by private vehicle (car, motorcycle, etc) is allowed and a mileage allowance (at the rates available from the Charity office) will be paid.
  - You may only use your private car in connection with Charity business if, at the time of each journey, it has a valid: (a) certificate of insurance for the kind of journey involved; (b) road tax (if required); (c) MOT certificate (if more than 3 years old).
  - Mileage should be claimed from your normal place of work unless you are travelling from home and the distance is less than that from your normal place of work in which case you should claim from home.
  - Parking costs incurred when on charity business away from the normal place of work will be reimbursed.
- Taxis (preferably pre-booked mini-cabs rather than “on demand” hire) may be used where either no public transport is available or the journey time by public transport is unreasonably long (particularly where the journey involves multiple changes).

**Subsistence**

Subsistence costs (eg: for refreshments, meals & hotel accommodation) can only be claimed when an employee or volunteer is on authorised Charity business away from his/her normal place of work for more than 4 consecutive hours.

**Telephone Calls**

The Charity will reimburse employees and volunteers for the actual costs of calls made from their personal telephones made whilst carrying out work for the Charity because Charity-provided telephone services were not available.

This includes calls made on a home or mobile telephone or in a public call box.

No ‘reimbursement’ will be made for the notional cost of calls which incurred no actual cost to the claimant because they were covered by a contract which included an allocation of ‘free’ calls;

**Other Types of Expenses**

The above examples of expenses claims are illustrative, not definitive.

Expenses not detailed above will only be paid if authorised (in advance whenever possible) by the Treasurer or, if not available, a person appointed by the Trustees to act on his/her behalf.
Reimbursement of Expenses & Purchases

• All claims submitted for the reimbursement of expenses incurred on Charity activities and/or purchases made on behalf of the Charity will be vetted for compliance with charity law, taxation law and these policies and procedures before being authorised for reimbursement.

• Claims which are not in the prescribed form, incomplete (e.g: missing required supporting documents), inaccurate or otherwise not compliant with relevant legislation will be returned for correction or rejected.

• Valid claims will be authorised for reimbursement as soon as is reasonably practical after receipt. Payment will usually be made by BACS transfer directly to the claimant’s bank account. Alternatively payment can be made by cheque or, in the case of small claims (less than £5) may instead be made by cash, where appropriate.

Change Record

<table>
<thead>
<tr>
<th>Date of Change:</th>
<th>Changed By:</th>
<th>Comments:</th>
</tr>
</thead>
<tbody>
<tr>
<td>dd/mm/yy</td>
<td>XX</td>
<td>Policy approved by the Trustees</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Expenses & Purchases
Reimbursement Claim

Company No: 123456    Charity No: 123456

<table>
<thead>
<tr>
<th>Description</th>
<th>Vchr</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Total Reimbursement Claimed**

I claim reimbursement of the above out-of-pocket expenses and/or purchases which were actually, necessarily, reasonably and incidentally incurred by me in promoting the purposes of the Charity.

Once approved I would like the reimbursement to be: *(tick as appropriate)*

- [ ] paid by:  [ ] BACS *(on-line)*,  [ ] cheque,  [ ] cash *(less than £20 only)*
  
  For reimbursement by BACS my bank sort-code is: _____________  -  _____________

  And my 8-digit account number is: _____________  -  _____________

- [ ] retained as a donation to the charity (and Gift Aid claimed on the donation as appropriate).

Name: ...........................................(Print)           Approved: ...........................................(Print)

Signed: ..........................................................           Signed: ..........................................................

Date: ..........................................................           Date: ..........................................................

**Notes on Completing the Form**

- ✓ Please provide original point-of-sale vouchers for all expenditures, wherever possible.
- ✓ Identify each sales voucher, receipt, etc with a unique number in a circle *(eg: ☀)* and write the number in the column headed “Vchr”.
- ✓ Please remember to SIGN & date the form above. The date should be the date when you make the claim, not the date when the expenses were incurred.
- ✓ If you have any problems or queries please contact the Treasurer.
While it is Small Charity Support’s intention to provide you with the best possible support and information as we are able, it is important that you read and give due consideration to the following notices.

The information contained in this leaflet is provided in summary form and is made available for general information purposes only. It has not been prepared with your specific needs in mind and is not advice of any kind (whether legal, financial, or otherwise).

Please take the time to check the information in this leaflet is suited to your specific circumstances and if you are making any important decisions, such as on financial, legal or tax matters, you should consult a qualified professional adviser who can provide specific advice based on your position.

Small Charity Support does not assume any liability or responsibility to any person or entity for the information contained in this leaflet and you should not rely on any information contained in this leaflet. Small Charity Support makes no representation as to, and does not assume any responsibility for, the accuracy, completeness or relevance of the information contained in this leaflet.

Please make sure that any sites you link to from this leaflet (or on our website) are appropriate to you, as we do not endorse such websites and have no control over their contents or how (or if) that site operates. Any links or references in this leaflet to a company, entity, service or product does not, in any way, imply an endorsement.

© 2021 Small Charity Support

This leaflet is made available to charities and not-for-profit organisations under a Creative Commons Attributable – Non Commercial – Share Alike International 4.0 License. That license lets you remix, adapt, and build upon this material non-commercially, as long as you credit Small Charity Support and license your new creations under the identical terms.